

## Housing Strategic Plan 2008-13: The Groundwork for a New Paradigm<sup>1</sup>

---

### 1 THE HOUSING DYNAMICS PROFILE

The formulation of a strategic framework for the (social) Housing sector must derive from a detailed contemporary knowledge that can articulate the dynamics of market forces, the public supply and the capacity of families, among other aspects.

Hence, the main traces of the Portuguese housing dynamics are known. However, the generalization of its features tends to hide the real regional asymmetries and specificities.

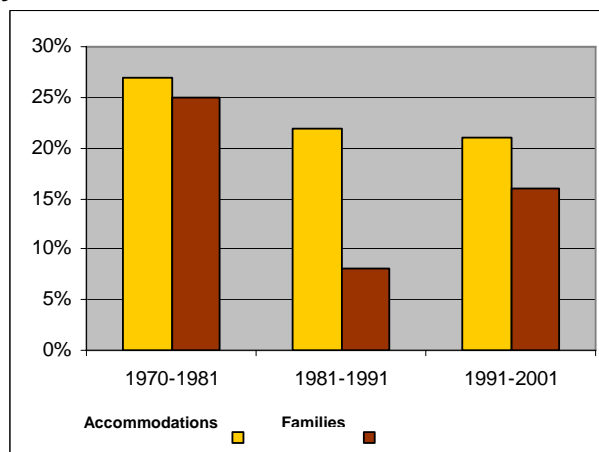
In brief, the Portuguese housing stock is characterized by a recent rising cycle of housing production, an increasing percentage of private ownership, a weak dynamic of the rental sector, decades of rent freeze (in a changing process), a high percentage of vacant houses of which a significant quote are in a bad condition.

#### 1.1 HOUSING PRODUCTION DYNAMICS: The Rising of the Housing sector

The last decades, starting in the 1970's until the late 90's, show an effective expansion of the real estate market in Portugal. However, since the early years of 2000, a significant reduction could be perceived though in a slightly lower rhythm than other European countries.

During the last three decades, the accommodation increasing was always higher than 20%, and its number practically doubled and achieved a growing rhythm always higher than the number of families, which positioned Portugal as the second higher ratio of housing per household in the EU.

**Figure 1 – Family Accommodations and Families Variation Rate (1970 - 2001)**



Source: INE, Recenseamentos População e Habitação

---

<sup>1</sup> The current article constitutes an executive summary of the work developed by the research group responsible for the making of the primary version of the Housing Strategic Plan 2008-2013 for IHRU (Housing and Urban Rehabilitation Institute). The research team was coordinated by Professor Isabel Guerra that supervised the work of the three research groups: CET / IRIC (Prof. Nuno Portas) / A.Mateus & Associados (Prof. Augusto Mateus).

In this context, the building industry in Portugal kept an exclusive place in the national economy representing 6.5% of the VAB, 10.9% of the employment and 52.6% of FBCF. This role is decreasing since 2002.

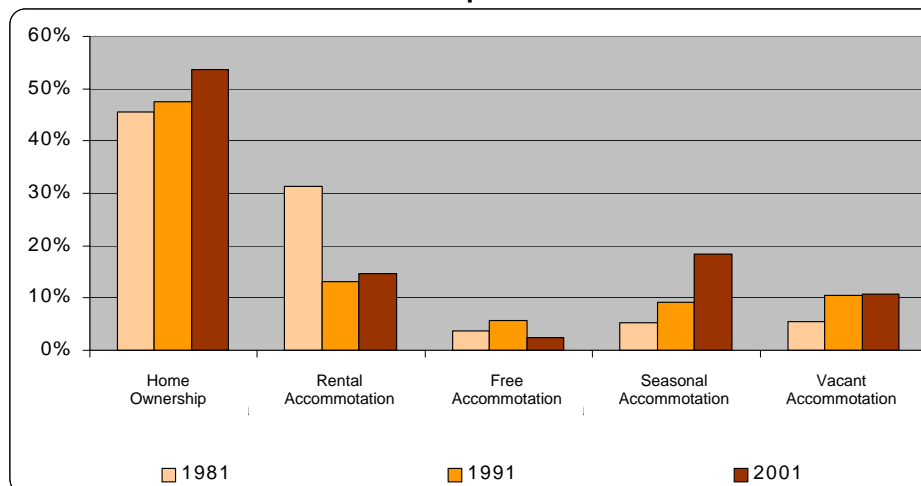
## 1.2 THE OCCUPATION DYNAMICS: Access to Home ownership

Until the end of the 20th century the increasing home ownership and the slight reduction of the rental market was a common feature across Europe. In Portugal, the main reasons can be traced: cultural factors, growing household incomes, subsidies for mortgages and loans, low interest loans, a wide housing supply and a relative stability of housing sales price.

Since 1981 until 2001, home ownership increased from 1.6 million to 2.7 million, which means an increasing of 70%. On the other hand, the rental sector decreased during the same period, from 1 million to 740.000, and persisted mainly in the historic urban areas and very scarcely in new urbanized areas.

The home ownership can also be found among Portuguese population that live under the poverty line, mainly due to rural areas traditionally self-made dwellings. This fact also happens due to a lower average housing sales price comparing to other European countries. On the contrary, during the last decades, the private rental decreased among low income population.

**Figure 2 - Accommodation Type Variation in Portugal according to Way and Mode of Occupation**



Source: INE, Censos 1981, 1991 e 2001

## 1.3 THE OCCUPATION DYNAMICS: Increasing of Secondary and Vacant Housing

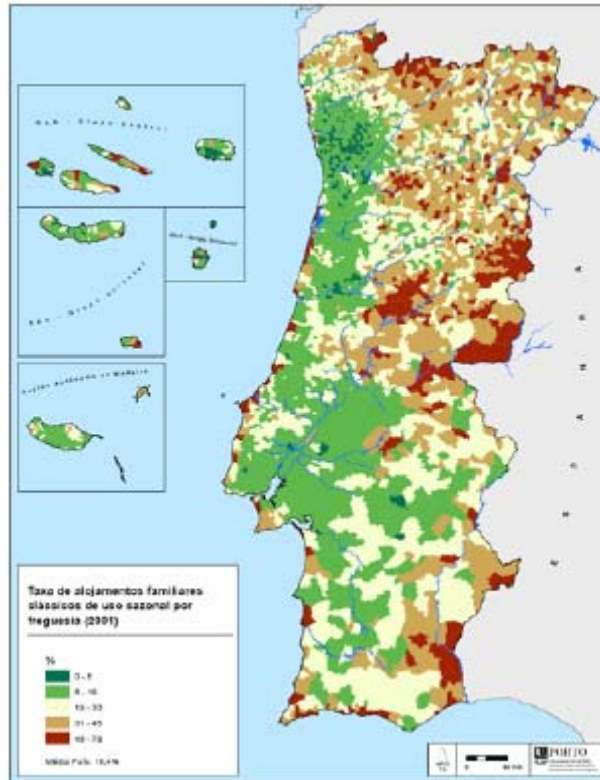
As other South European and tourist oriented countries, the rate of second residence is very high in Portugal (which has doubled in the last 20 years), reaching 18% higher than other European countries.

Little research has been made on this topic, but on one hand it can be explained by the significant maintenance of ancestry property concerning urban families that recently migrated from rural areas. And on the other hand, the tourist vocation of the country has attracted foreign and national investment on "leisure" housing.

The vacant accommodation constitutes a serious concern to the housing policies, because it represents stock with no effective use *versus* the significant quote of housing need in Portugal.

The Census 2001 sustained that half of this vacant accommodation is in bad condition displaying problems with walls or roofs. In this way, there can be no occupation without housing rehabilitation. It is also important to notice that the higher levels of vacant housing are situated in the Metropolitan Areas of Lisbon and Porto, and also in the Algarve region.

**Map 1 – Second Accommodation per freguesia (urban district) in 2001**



Source: INE, Censos 2001

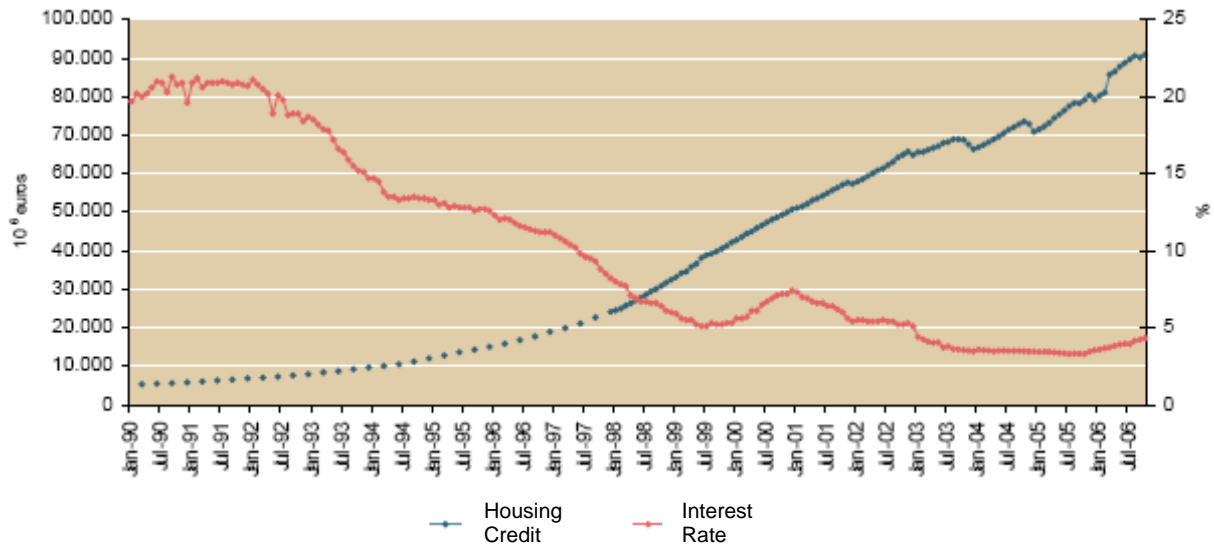
#### **1.4 A NEW ECONOMIC CYCLE: The Rising of Indebtedness**

The rise of the housing stock and market in Portugal in the nineties can be analysed both in a demand perspective - increasing household income, the fall of the interest rate in EU provided benefits from advantageous low interest loans – and in a supply perspective – growing number of building and real estate companies, concentration and entrance of foreign corporations, a significant increase of accommodation production

In Portugal, the indebtedness rate has grown since the 1980's reaching in 2005, 117% of the total household income. In fact, the average amount of loans has grown and the time limits of payment have widened under a low interest rates. This, on the other hand, avoided an unbearable financial effort demanded to families.

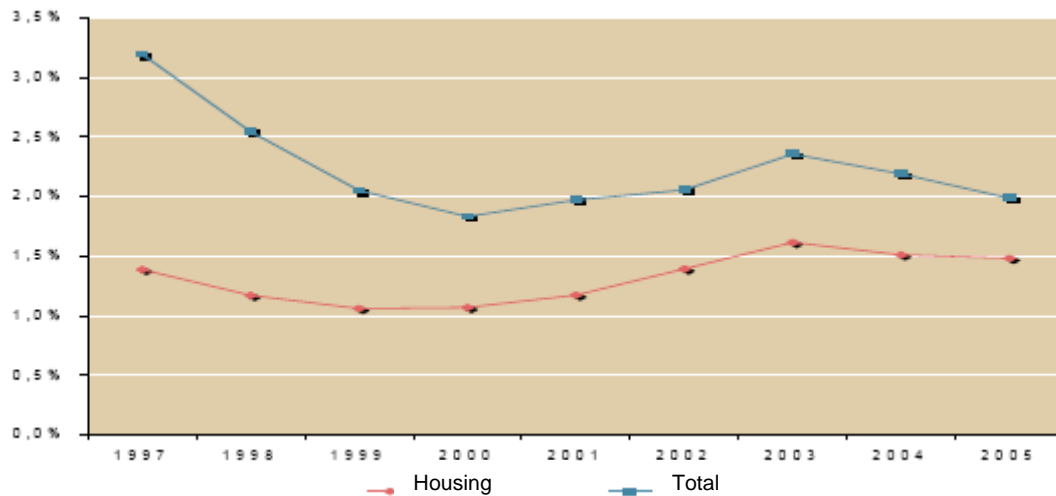
The persistent but balanced increasing of the housing sales price, without a “speculative bubble”, didn't allow that the indebtedness rates in Portugal, concerning housing loans, got near of other European countries levels.

**Figure 3 – Housing Credit: Amounts and Interest Rates**



Source: Banco de Portugal

**Figure 4 – Indebtedness rate**



Source: Banco de Portugal

## 2 HOUSING POLICIES ANALYSIS

### 2.1 RECENT TENDENCIES IN HOUSING POLICIES: Co-Production and Market driven Housing Policies

The basic principles of the welfare state began to be implemented in Portugal after 1974, the year of the revolution, simultaneously with the emergence of a difficult international economic context (oil crisis), that challenged the basis of this social and political model.

Hence, the eighties and the nineties witnessed a gradual critical revision of public policies in general, and in particular, in the housing sector. Each country, according to its vision concerning the relation state-market, would outline its political approach to their housing situation.

In fact, the revision of public policies across Europe had a strong impact in the redefinition of the scope and form of state intervention at several levels:

- a) Decentralization: redefining the logic of responsibilities division between Central and Local administrations, in a continuous process of alleviating the central macrocefaly, typical of post-war societies.
- b) Contractualizing: in terms of the redefinition of the weight and role of the several actors, on one hand, as a consequence of a restructuring of the architectural organization of the contemporary society, and on the other, in a context of a quantitative reduction of the target-groups.
- c) Pragmatism and efficacy: In terms of organizational logic the changing towards a consumer centred society, namely concerning on the efficacy in the service provided to the citizen *versus* the bureaucracy centred society

From the Housing sector point of view, such an approach has several presuppositions:

- The Housing policies will consider market as an important resource;
- New attention on the Urban Renewal/Rehabilitation Process, involving a growing number of public and private agents in the public policies.
- A significant part of housing policies should result from the adjustment between supply and demand and from a better use of the existing housing stock, in which Public and Private Partnerships play an important role.

Rather than simply be a provider of “new housing”, the State main role became to keep up with housing markets and support low income groups in its access to housing, promoting low cost housing supply (affordable housing) and operating the right adjustments in the existing stock. These set of principles are based in partnership systems, municipal entities, private sector, and cooperative sector.

- Articulation with the Market, generating trade-off's and allowing access to private market of low income groups;
- Supply oriented policies concerning housing stock rehabilitation covering vulnerable groups;
- Gradual promotion of the “support to person” instead of “supporting new building”;
- Public support to specific/disadvantaged groups (handicapped, low income households, etc.);
- Increasing efficiency of the existing public housing stock management;
- Implementation of urban social development projects in socially excluded areas;
- To promote a fair and adjusted housing market;
- Urban planning process more articulated with the social and demographic dynamics, with housing conditions and, in this way, with Social and City policies.

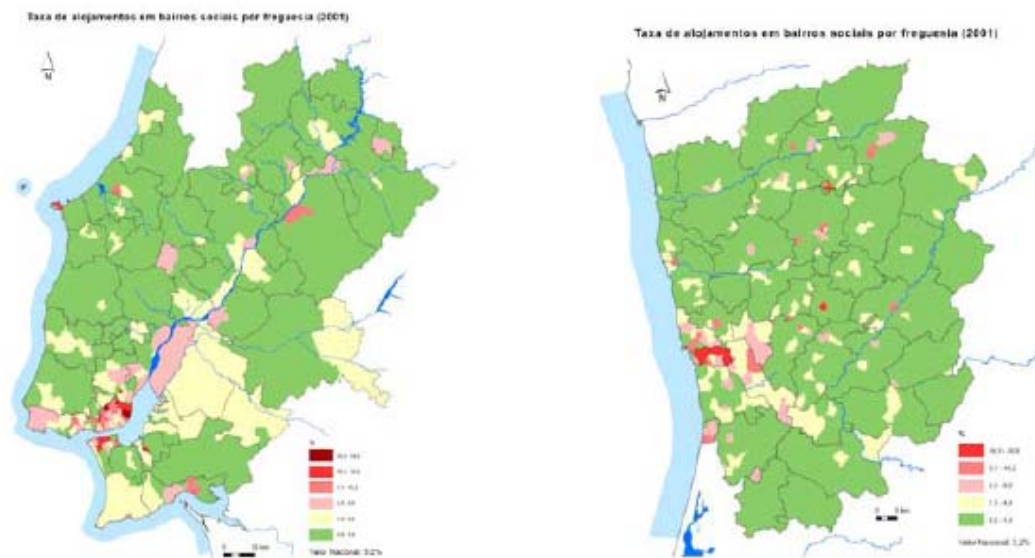
## 2.2 THE PORTUGUESE CASE: Diversity of Public Intervention Instruments

Comparing to other European countries the state intervention in Portugal can be considered very short in terms of housing supply. In fact, only 3% of the housing stock is public property though it is highly concentrated in the metropolitan areas of Lisbon and Porto.

Considering the several plans and programs implemented throughout the years, PER (Rehousing Special Plan) has produced, from 1994 until 2005, more than 31.000 houses.

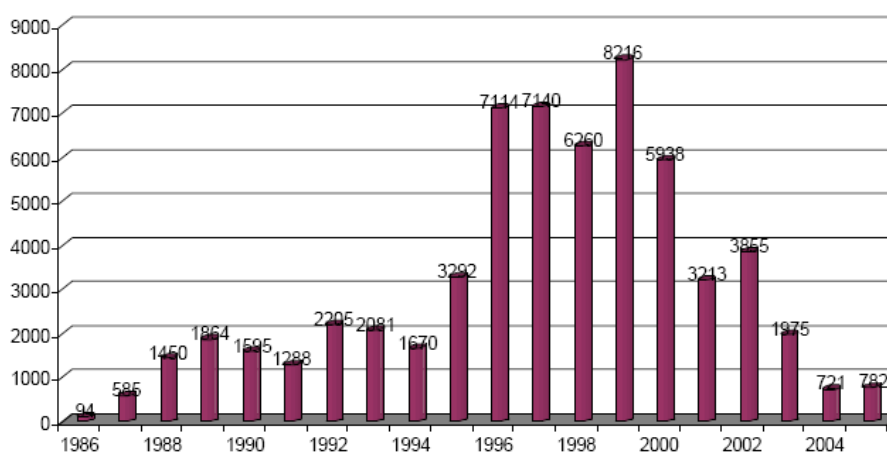
This social housing Plan during the second half of the 1990's had reached its peak. And from 2000 onwards the social housing production clearly decrease.

**Map 2 and 3 – Accommodation Rate in Social Housing per *freguesia* (urban district) in Lisbon and Porto (2001)**



Source: INE, Censos 2001

**Figure 5 – Social Housing produced between 1986 and 2005**



Source: Base de dados IHRU

## 2.3 THE ROLE OF PUBLIC EXPENDITURE IN HOUSING: The Choices of Public Funding

The diffusion of low interest loans, tax relief and tax rebates on housing loans show the clear orientation of public effort towards the support of home ownership over other housing solutions. Hence, between 2003 and 2005, this type of support meant 70%-80% of the total amount of public expenditure.

**Table 2 – Public Expenditure in Housing Policies, Thousands of Euros**

Ano	Comparticipações (no âmbito de programas promovidos pelo IHRU)	Valor dos subsídios IAJ	Bonificações de Juros		Benefícios Fiscais à Habitação (traduzidos no valor do imposto não recebido em virtude da atribuição do benefício)		
			Programas IHRU	Crédito Bonificado Habitação	Contas Poupança Habitação	Aquisição, construção ou beneficiação (habitação própria/permanente/arrendamento)	Redução de IVA (1) (programas IHRU)
2003	69.860	55.750	23.770	501.940	152.000	431.000	26.900
2004	40.285	59.980	23.491	332.640	148.000	461.000	24.100
2005	46.670	62.084	20.306	230.230	-	445.000	29.000

Source: Direcção-Geral do Tesouro e IHRU, 2007

## 3 ACCESSIBILITY TO MARKET AND HOUSING NEEDS

The absolute and accurate profile of housing needs constitutes a difficult task to be accomplished due to the diversity of criteria and the inexistence of enough and adequate data elements. In fact, the relation between quantitative needs and qualitative needs is associated with different ways of life, types of families, life cycle periods that demand a wide variety of needs. Nevertheless, it is possible to get very close to the housing needs “picture” using the several and complementary statistical information available.

The housing needs debate does not uniquely concern to the low income households that have no access to the normal housing market but also to a wide diversity of families and aspects that are related to the multidimensional nature of the poverty concept.

In this perspective, the multisectorial approach of public policies is fundamental. Though the focus of a housing policy are low income families with no access to accommodation in the private market, and in this way, needing the state support to accomplish their “right to housing”, the social and economical aspects of integration need also to be addressed.

Hence, considering the dynamics of supply and demand, it is important to analyse not only the accessibility to the normal housing market, and its regional diversity, but also the set of variables and dimensions that outline the real housing needs profile.

### a) Accessibility to Housing Market

A definition of an accessibility threshold to the housing market should express the income level below which, families are not able to access the normal housing market. The calculation of this accessibility to housing can be operated using several variables, among them –

Minimum Sales Price in acquisition or rental, family income, number of houses available in the market, number of households, etc.

In the current study, such threshold is calculated only to the housing market of acquisition and uses the sales price per m<sup>2</sup> to calculate - considering the current conditions to access a mortgage by the bank institutions - the minimum income value that a household must have to access an accommodation in the market.

The analysis developed has shown a significant asymmetry of sales prices across the regions. For instance, the price of a m<sup>2</sup> in the Greater Lisbon Region is twice higher than in Serra da Estrela.

Such diversity reveals, above all, on one hand the tendency to the coastal character of economic development in Portugal and on the other, the demographic pressure in the main metropolitan areas in the country, where can be found the higher average sales price. Hence, the higher housing prices are situated in the NUT III Greater Lisbon and Algarve, followed by coastal Alentejo, Setúbal Peninsula, low Mondego, Central Alentejo, West and Greater Porto.

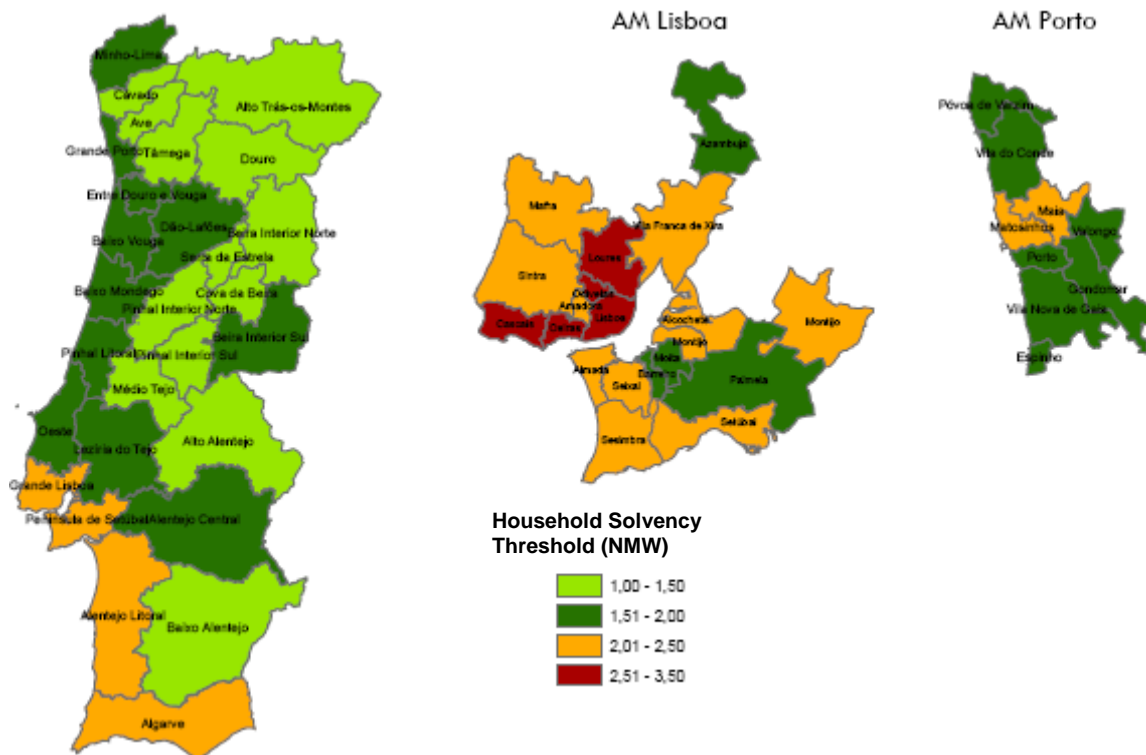
The accessibility threshold changes according to the place chosen to buy the house. On average, a household must have a gross year income of 9 776€ to acquire a house of 80m<sup>2</sup>.

The higher accessibility threshold occur in Greater Lisbon (with a gross annual income of 13 859€, as a minimum to access the market prices), followed by Algarve, Setúbal Peninsula and coastal Alentejo. In the other edge, is Serra da Estrela, where a household may have a gross annual income of 6 013€ to buy an accommodation.

If the income is converted in National Minimum Wages (NMW), to buy a house in the majority of NUT III would demand 2 NMW. But considering the Metropolitan Area of Lisbon where the sales price are higher, the urban areas show higher income effort, such as: Cascais (3,3 NMW), Lisbon (3,0 NMW), Oeiras (2,9 NMW) Odivelas (2,6 NMW).



**Mapa 4, 5 and 6 – Minimum Threshold of Aecessibility (converted in Minimum Nacional Wage) per NUT III and Metropolitan Areas of Lisbon and Porto, 1st quarter 2007.**



### b) Housing Needs Estimate

The current economic development situation and the available income can explain, partially the significant number of families living in low-standard housing. To formulate a strategic framework concerning the housing sector, it is essential to estimate the profile of the housing problems and needs.

- 27 300 families living in self-made dwellings
- more than a million accommodations are crowded (568 886) in the Portuguese housing stock. In this universe, the majority is situated in areas with more density and stronger social polarization, like the North region and Lisbon and Tagus Valley region, though it shows an inadequacy between accommodation size and family features.
- 69 000 families live in shared accommodations
- 50 000 families (nearly) across de country have applied to the Town Hall for an accommodation in social housing. The metropolitan areas of Lisbon and Porto are the more desired location to live.
- 5 000 homeless, concentrated in the main cities. The number concerns to people living in the streets, care centres, abandoned houses and shanties, abandoned cars, etc.

- 250 000 handicapped people are living in inadequate houses (which means inexistence of elevators, ramps, adequate signs, etc.). The tendency for population aging made accessibility a critical issue in the quality of living debate.
- Around 190 000 of primary accommodation is statistically considered in bad conditions displaying problems with regard to walls, roofs, etc.
- 11 000 immigrants are living in low-standard housing (self-made dwellings)

## **4 HOUSING STRATEGIC PLAN: Mission, Objectives and Guidelines**

### **4.1 THE BASIS FOR A NEW PARADIGM**

The formulation of contemporary and adequate public policies must acknowledge the deep transformations occurring in present society with relevant alterations in the housing sector dynamics, such as, transformations in the financial market, ways of life, sociocultural preferences, housing problems and needs, etc.

On the other hand, it is important to clarify the changing role of the state, based on a mainly horizontal and transversal intervention, in a context of a more efficient cooperation and coordination, in terms of sector policies or new partnerships towards the implementation of housing policy.

In this way, in the current strategic proposal, under a logic of a new paradigm, the state reinforces its functions related to planning, regulation, supervising and inspection, monitoring and assessment.

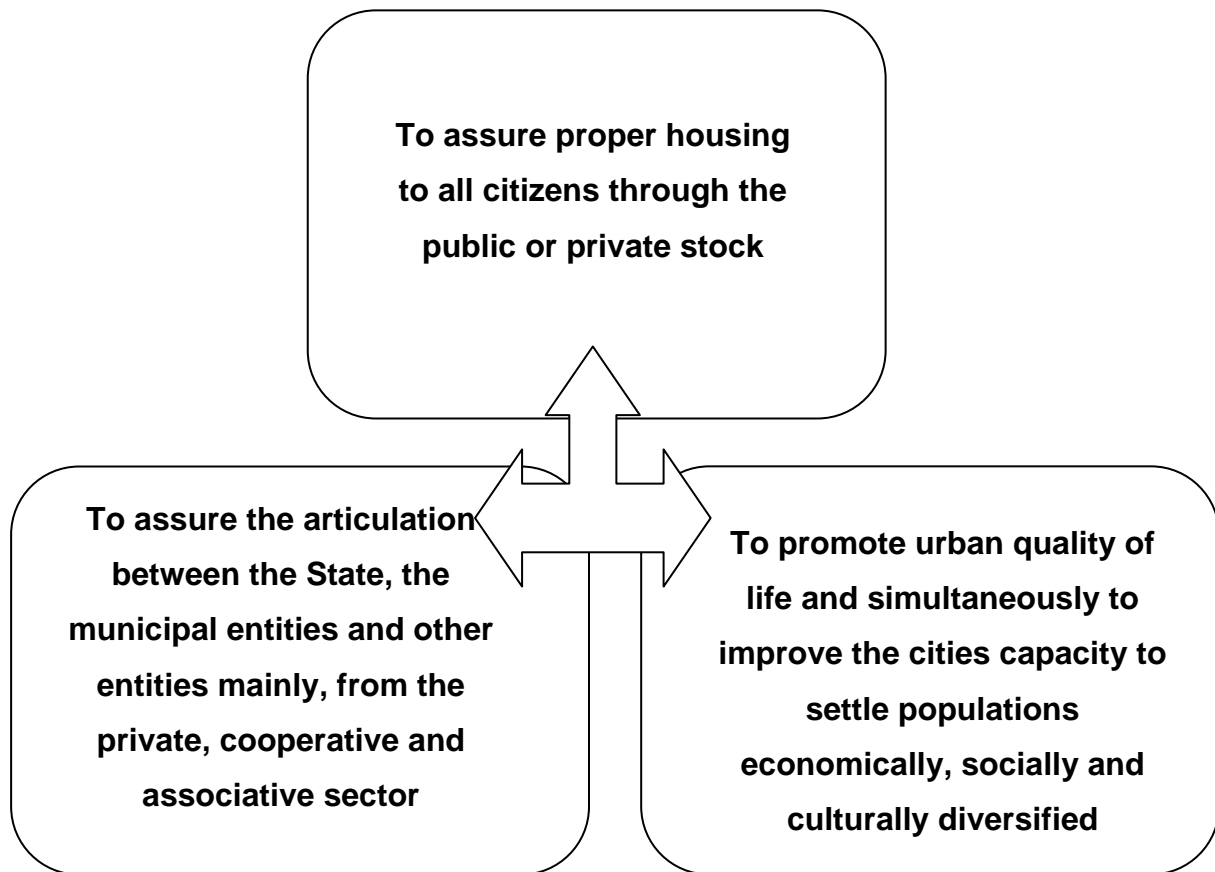
Simultaneously, this new state's role, as a fundamental partner, needs to be clarified in what concerns to its functions, responsibilities and goals, towards the implementation of the new framework of policies.

In fact, in terms of the housing sector, the state should gradually move from a direct (housing) provider agent to a more efficient, subsidiary and regulator entity. This new approach means that the simple and direct provision of housing must be reduced over a new intervention implying public-private partnerships, new tax policies, policies promoting relief from VAT or income tax and other tax incentives.

<b>NEW STRATEGIC VECTORS</b>	
<b>→ FORMULATION OF PRIORITIES</b>	
<b>From a house centred model...</b>	<b>Towards a <i>Habitat</i> centred model</b> , in which housing policies may have a renewed role articulated with: Urban dynamics (differenciaded in great metropolitan areas, medium and small cities, and low density areas); Geographical mobility dynamics and disconcentration; Development of networks and urban and regional planning and management; New policies of demographic increasing, etc.
<b>→ THE NATURE OF NEEDS AND INCENTIVES</b>	
<b>From a quantitative oriented model (provision of housing and rehousing) ...</b>	<b>Towards a qualitative oriented model...</b> availability of mechanisms of mobility, sustainable rental, support to urban and building rehabilitation, widening the diversity of supplying versus the diversity of needs...
<b>→ GEOGRAPHICAL SCOPE OF INTERVENTIONS</b>	
<b>From a model that solves the housing problems and needs in the specific area where they emerge</b> , fixing lasting structural features of wide urbanized spaces...	<b>Towards a model that favours geographical</b> , economic, social and professional mobility
<b>→ TYPOLOGY AND MEANING OF ACTIONS</b>	
<b>From a polarized model with the primacy of public intervention, as housing provider...</b>	<b>Towards a model based in public-private partnerships</b> dynamics aiming the satisfaction of segmented housing needs, in different periods of life cycle
<b>→ BETTER DISTINCTION BETWEEN HOUSING AND SOCIAL POLICIES</b>	
<b>From a rigid “housing provider” centred model...</b>	<b>Towards a “supporting low income groups” oriented model</b> , supporting according to effective needs that will change along the life cycle, clarifying public and private co-responsibilities and promoting a higher individual autonomy concerning public support...
<b>→ DIVERSIFICATION OF FINANCIAL SOURCES</b>	
<b>From a model based is the state as financier...</b>	<b>Towards the search for new financial sources, new tax relieve (VAT or income tax) and city policies</b> driven to broaden the housing resources.

## 4.2 MISSION, OBJECTIVES AND RECOMMENDED STRATEGIES

### MISSION



### OBJECTIVES

1. To support low income households in their access to the housing market regulating housing dynamics and improving the relation between demand and supply
2. To ensure access to affordable housing
3. To ensure the articulation between housing policy and other policies namely, social and city policies
4. To increase the levels of efficiency and efficacy of housing public policy management and financing

## RECOMMENDED STRATEGIES

<b>1. Promotion of the Rent housing Market</b>		
	1.1	Expand the supply of private rental housing
	1.2	Development of modes to support private rental housing
	1.3	Public acquisition of housing
<b>2. Promotion of Affordable Housing</b>		
	2.1	Increasing the housing supply at low cost (to acquisition) and mixed cases (rental and acquisition)
	2.2	Development of ways to support acquisition and private construction
<b>3. Public and Private Housing Stock Rehabilitation</b>		
	3.1	Housing Intervention in "Critical Areas" under City Policies
	3.2	Housing Intervention in bad condition Accommodations
	3.3	Public Housing stock Rehabilitation
	3.4	Efficient and Participated management of Public Housing stock
<b>4. Adequacy and Innovation in Housing</b>		
	4.1	Incentive to Extensive Housing Experimentation
	4.2	Accommodation Adequacy to special and Emerging Needs
<b>5. Implementation and Monitoring of Housing Policies</b>		
	5.1	Housing and Urban Renewal Observatory
	5.2	Housing Local Program

## **1. PROMOTION OF THE RENTAL HOUSING MARKET**

The main goal of this guideline is to generate a wider balance in the relation between available housing for rental and for sale in the market. The effort is to insert in the rental market available housing, vacant or empty, with balanced rental price *versus* the option to buy and to rehabilitate.

### **1.1 Promoting the supply of private rental housing**

The current measure, promoting the rental stock supply, aims to lower the barriers that prevent the owners to insert or re-insert their houses into the rent market, especially when it concerns to available vacant housing. The instruments implemented to expand the rent market are, on one hand, tax incentives favouring the initiative to rent and on the other, new management instruments that can generate a capital of trust between tenants and landlords. Legislation is the main instrument to address the interests of both tenants in private-rented accommodation and landlords

### **1.2 Development of modes to support private rental housing**

To promote access, among low income families, to the rent market implies on one hand the creation of instruments able to identify the housing resources in presence, such as Regional Rental Agencies, that are normally established with the support of municipalities which, conjugating supply and demand for accommodation, can facilitate the housing of the deprived households ensuring reasonable rent levels. And, on the other hand, the implementation of housing benefits aimed at tenants, like rent subsidies to low income groups (support given by the state and municipalities).

### **1.3 Public acquisition of housing**

Preventing the new construction as a solution for public means (not advisable due to lack of public budget and the excess of available housing resources), this measure aims to use the existing housing resources through their acquisition or rental and sublet it to low income households.

## **2. PROMOTION OF AFFORDABLE HOUSING**

The current strategic proposal sustains an increase of public participation quote in the housing supply. In fact, some European countries, with some housing sector similarities, like France, have shown good results concerning this measure, with municipal quotes of around 10%. In Portugal, this quote is substantially lower, with some exception in Lisbon and Porto. The diversity of demographic settlement contexts, internal migration dynamics, public housing stock demands a certain flexibility in measures that are proposed in order to adequate them to the local needs.

### **2.1 Increasing the housing supply at low cost (for acquisition) and mixed cases (rental and acquisition)**

Targeted to “low-and-moderate” income households, this measure aims to promote the construction at low-cost (with sales price near cost price) not reflecting market prices. On the other hand, this supply can also include state acquisition, through public-private partnerships, of housing estates in new urbanizing or large rehabilitation projects. The current existing benefits in those casual partnerships include normally social equipment or infra-structures, but they can be diversified to social housing ends to low-income families.

## **2.2 Development of ways to support acquisition and private construction**

In order to prevent the increasing of the deprived groups with no access to housing, it becomes important to effectively diversify the support to “low-moderate” income households, in terms of acquisition and private construction of dwellings.

This type of support will benefit from the state capacity to mobilize and negotiate with private sector partners certain aspects like land and housing estates, construction materials, etc.

The financial framework of this measure is based in tax incentives and subsidies for mortgages and loans (credit).

## **3. PUBLIC AND PRIVATE HOUSING STOCK REHABILITATION**

The scope of the current Strategic Plan doesn't include the Housing Sector (tout court) but the Public or Social dimension of Housing. In this perspective and approach, the Rehabilitation seen as a strategic priority, concerns less the historic centres, and much more, the need to renovate dwellings in bad condition to prevent social exclusion of low income groups. Hence, rehabilitation, normally seen as an urban centre issue, must also cover wide areas in need in the urban peripheries.

In this way urban renewal plans and processes must be able not only to ensure housing stock and quality but also to promote Social life conditions and urban environment.

### **3.1 Housing Intervention in “Critical Areas” under City Policies**

A measure supporting the intervention in residential areas that host very low-standard dwellings, frequently in bad physical condition, in urban and suburban localities and commonly named “Critical Areas”.

### **3.2 Housing Intervention in bad condition Accommodations**

A measure supporting the intervention in dwellings which lack basic infrastructures like water supply, and so on, and normally found in rural areas.

### **3.3 Public Housing stock Rehabilitation**

A measure supporting the intervention in the public housing stock involving housing estates, public spaces and social equipment. This measure should be integrated in a global strategy outlined by the Housing Local Program.

### **3.4 Efficient and Participated management of Public Housing stock**

The current measure includes a different set of actions, such as: monitoring of housing occupation types; adequacy of accommodations to the household specificities; an effective and regular rent collection; tenant's responsibilities concerning the use and misuse of the apartment and the building common spaces; participation of residents associations in the local public housing management, etc.

## **4. ADEQUACY AND INNOVATION IN HOUSING**

Due to a new diversity of needs and ways of life and to the permanent technological innovation, we witness significant contemporary changes in the habitat. Those changes range from design to the building process, integrating environmental and safety regulation.

This guideline recommends that technical and scientific research must be closely linked with housing production, rehabilitation and management. In this way, quality and innovation can go along with public housing in critical issues like the design, materials, services, etc.

#### **4.1 Incentive to Extensive Housing Experimentation**

This measure is based in the innovation and experimental character of housing through the promotion of research and debate in fields like social, urbanistic, technical, sustainability, etc. Such effort is oriented not only for new construction but also to rehabilitation processes, not only to public stock but equally valuing private or third sector construction.

#### **4.2 Accommodation Adequacy to Special and Emerging Needs**

The focus on the multiplicity of needs, in terms of housing, building block, neighbourhood or even city, should be a critical topic in housing policies. Special needs shown by specific groups should hold the attention of the design and building agents and processes.

### **5. IMPLEMENTATION AND MONITORING OF HOUSING POLICIES**

Public policies can eventually fail if they are not able to structure their actions according to an objective and effective knowledge and measure the impacts of its proposals. To follow-up Housing dynamics it is crucial to implement a monitoring system, capable to analyse action, its implementation and impact. The current guideline recommends that a systematic effort of diagnostics, monitoring and assessment must be implemented.

This effort should be materialized in a co-production process with local actors of vision and a strategy to local housing policies, considering regional specificities.

This knowledge and debate produced by the several social actors will allow the increasing of their reflexivity, and will potentially generate useful organizational cultures and solidarities for the housing policies achievements.

#### **5.1 Housing and Urban Renewal Observatory**

The observatory, as a structure of IHRU (Housing and Urban Rehabilitation Institute), must constitute a debate forum, producing and diffusing information and monitoring public and private housing dynamics. On the other hand should be in charge of the Housing Strategic Plan implementation.

#### **5.2 Housing Local Program**

The Housing Local Program constitutes a key-instrument in the implementation of a new organizational culture based in articulated proposals according to the available and potential resources. The Housing Local Program will permit a more efficient strategic reflection on housing needs and through co-responsibility, possible ways to solve them.